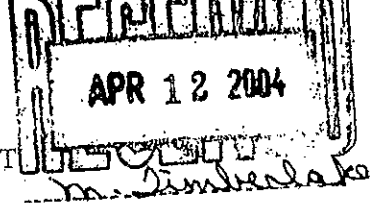


PROJECT NARRATIVE FOR THE VILLAGE MANOR APARTMENT
RE-DEVELOPMENT AND RENOVATIONS



The Village Manor Apartments (the project) was constructed in 1938 and is located in the Crescent Hill neighborhood in the East End of Louisville, Kentucky. Specifically, the project site sits at the intersection of Frankfort Avenue (U.S. 60) and Fenley Avenue and is approximately one mile from the city of St. Matthews. The project is comprised of 251 dwelling units in 25 buildings, which list 28 one-bedroom units; 163 two-bedroom units; and 60 three-bedroom units, and range from 610 square feet to 1025 square feet. There are 186 flats, 51 two-bedroom townhouses, and 14 three-bedroom townhouses making up the total of 251 units.

The project is owned and managed by Village Manor Partners, LTD, a "for profit" corporation whose principal participants are the Southern Baptist Theological Seminary and mortgagee, National City Bank. The project is operated as a low income tax credit housing development having been renovated in 1991-1992 utilizing low income tax credits and historic tax credits. Approximately 50% of the residents are income-qualifying families of Southern Baptist Theological Seminary (SBTS) students and 50% are families from the community at large.

It is proposed that Louis and Henry Development (LHD) Village Manor, LLC will acquire the equity interest of the SBTS and simply replace that entity in the make up of Village Manor Partners, LTD. The project will continue to be operated just as it has been for the past 13 years as low income housing and marketing to the eligible student families from the SBTS and to the general public who qualify under the Kentucky Housing Corporation (KHC) income criteria for tax credit financed projects. Further, the Louisville Metropolitan Housing Authority (LMHA) has expressed significant interest in acquiring a long term (40 year) lease on up to 25 two-bedroom units under their Hope VI relocation project for the redevelopment of the current Clarksdale Housing complex near downtown Louisville.

The current preliminary financing plan envisions utilizing a tax-exempt bond allocation from KHC of \$8,775,000, which would be enhanced by a HUD/FHA Mortgage Insurance policy, a long-term lease from LMHA for \$2,300,000, 4% tax credit equity of \$2,900,000, and development equity of approximately \$600,000 for a total of \$14,575,000. This equates to a purchase cost including renovations of approximately \$58,000/apartment.

Principal uses of the funds, besides acquisition of the SBTS equity, is \$4,500,000 in major renovations including new roofs, new kitchens and baths, new hot water heaters and piping, and perhaps new windows along with interior and exterior painting and replacement of all exterior entrance doors where needed. The construction work will be accomplished with a construction manager who will solicit bids for all work and oversee construction.

The project architect is the Louis and Henry Group (LHG), who have served the SBTS for over 35 years. Louis and Henry Group were the architects for the 1991-1992 extensive renovations to the apartments, which focused on rebuilding the utility infrastructure and replacement of the HVAC systems throughout. Every apartment now has its own independent gas fired and electric cooling HVAC unit.

The objective of the proposed \$4.5 million renovation is to carry on the modernization upgrades from the 1991-1992 program and to bring the apartments up to, or exceeding, current market rate apartments in the area.

Possibly 10 to 12 houses in green space on Fenley
is already zoned for single family houses.

A market study dated March 29, 2004, has been prepared by The Allgeier Company of Louisville. The study is intended to meet the requirements of the KHC as well as the minimum standards of the Appraisal Institute and Professional Appraisal Practice, (USPAP), of the Appraisal Foundation. The Allgeier Company is a Kentucky certified general real property appraiser. A copy of their executive summary is attached to their narrative along with a site plan floor plans of the various apartments.

EXECUTIVE SUMMARY

Subject Property Description: The subject is a renovation of a 251-unit LIHTC apartment complex located at 105 Finley Avenue, in the Crescent Hill section of Louisville, Kentucky. The development is a proposed low-income housing tax credit (LIHTC) project. The renovated complex will include 28 one bedroom, 163 two-bedroom, and 60 three-bedroom units. Unit sizes will range from 610 to 1,025 sq. ft. The one and two-bedroom units will have one bath, and the three-bedroom units will have two baths. Each unit will include a range and refrigerator, with the one-bedroom units including a washer, dryer, and microwave.

Current Supply: There are no directly competing one, two, and three bedroom LIHTC units in the subject's market area.

Income and Rent Analysis: Occupancy of the subject apartments will be limited to households at or below 60% of the average median household income (AMI). For a household of two, the maximum size most likely for the subject's one-bedroom units, the maximum annual income is currently \$27,960, for a household of four, the maximum size most likely for the subject's two-bedroom units is \$34,920, and for a household of six, the maximum size most likely for the subject's three-bedroom units, the maximum annual income is \$40,500. The following table summarizes the income and rental rate restrictions applicable to the subject units. Market rent for the subject's one, two, and three-bedroom homes is below the KHC net restricted rents.

Maximum Income and Restricted Rent

Unit Type	Total Restricted Units	Area	% of Median Income	Maximum Gross Rent	Utility Allowance	Maximum Net Rent	Market Rent
1 BR / 1 BA	28	610	60%	\$654	\$61	\$593	\$475
2 BR / 1 Bath TH	51	790	60%	\$786	\$75	\$711	\$540
2 BR / 1 BA	64	805	60%	\$786	\$74	\$712	\$540
2 BR / 1 BA	48	860	60%	\$786	\$74	\$712	\$565
3 BR / 2 BA	32	980	60%	\$908	\$90	\$818	\$665
3 BR / 2 BA	14	985	60%	\$908	\$90	\$818	\$665
3 BR / 2 BA TH	14	1025	60%	\$908	\$90	\$818	\$685
Total	251						

Demand Analysis: Based on both the quantitative and qualitative analyses of the subject market area, there is strong demand for the subject's renovated units. The subject's 54 vacant units will be renovated immediately, with the remaining 197 occupied units renovated as vacancies occur during the next 12 months. The subject's estimated date of stabilization is 14 months after the renovation begins.

Conclusion: Based on the analysis presented in this report, there is strong demand for rent restricted rental units similar to those proposed for the subject development. Access to the

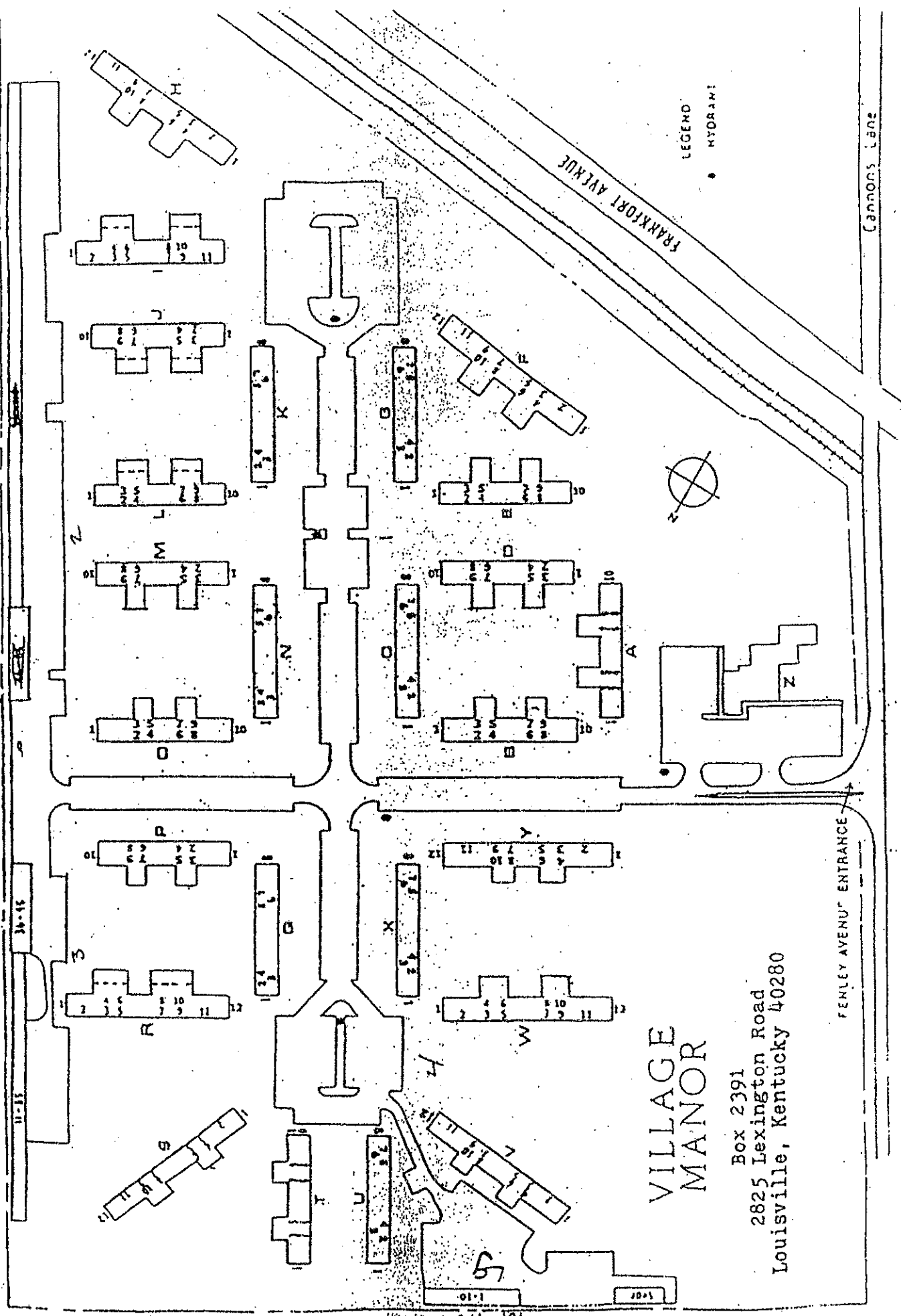
subject is good, with shopping and employment centers nearby. There are no current or planned directly competing subsidized units in the subject's market area, giving the subject a competitive advantage with the targeted income groups. Demand for the subject's units will be generated from household growth, income qualified households that are rent overburdened or living in substandard housing, and market rent units. It is estimated that household growth in the subject's one and three-bedroom units between now and the completion of the project will provide sufficient demand to completely absorb those units.

No adverse impact on overall occupancy levels of competitive subsidized and / or LIHTC properties are anticipated.

363
Small

363
Small

100
46
4-66
65

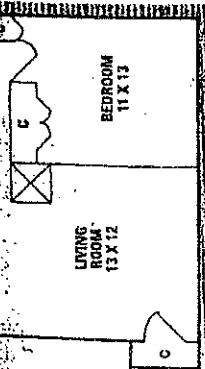


VILLAGE
MANOR

Box 2391
2825 Lexington Road
Louisville, Kentucky 40280

Queen and king size beds will not fit in upstairs bedrooms in townhouses.

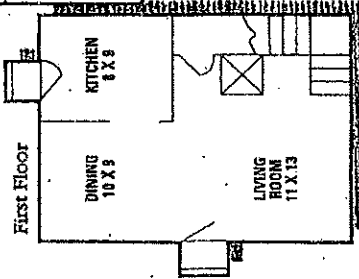
Bedrooms (with washer-dryer and built-in microwave as well as range and refrigerator.) Available upstairs only.



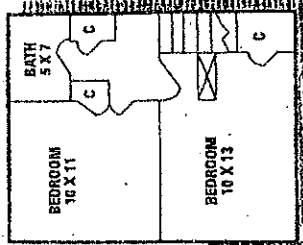
Approx. sq. ft. 610

Q7

Two Bedroom Townhouse



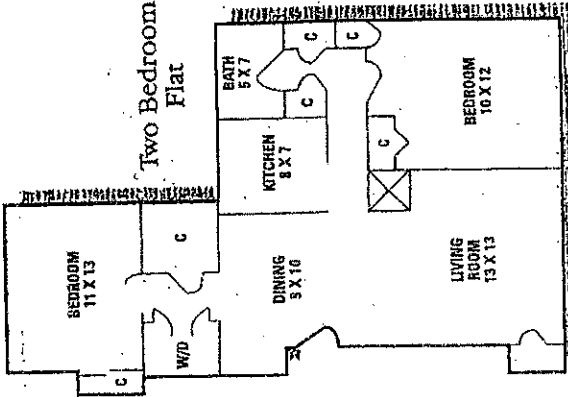
First Floor



Second Floor

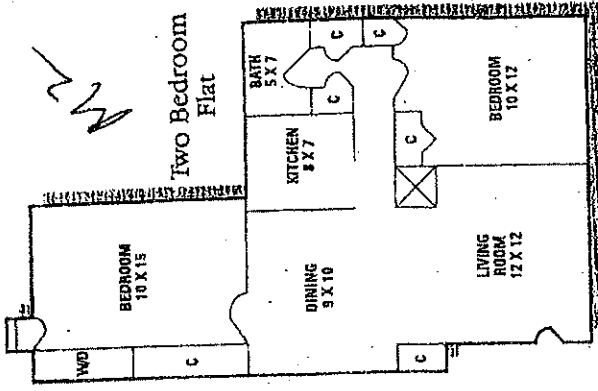
Approx. sq. ft. 790

F2 F12

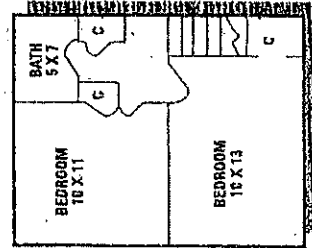


Approx. sq. ft. 860

F6

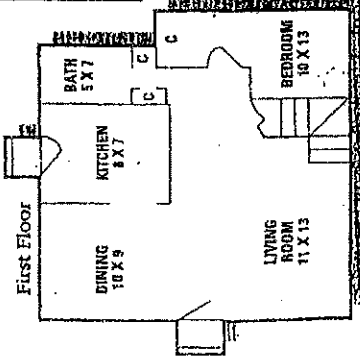


Approx. sq. ft. 805



Second Floor

Three Bedroom Townhouse

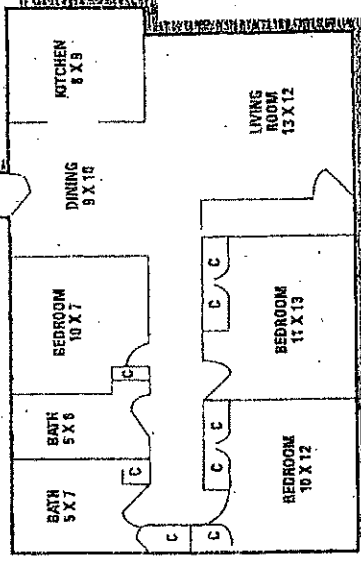


First Floor

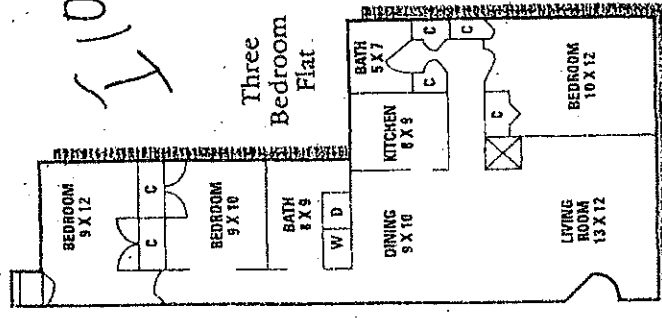
Approx. sq. ft. 1025

C3

Three Bedroom Flat



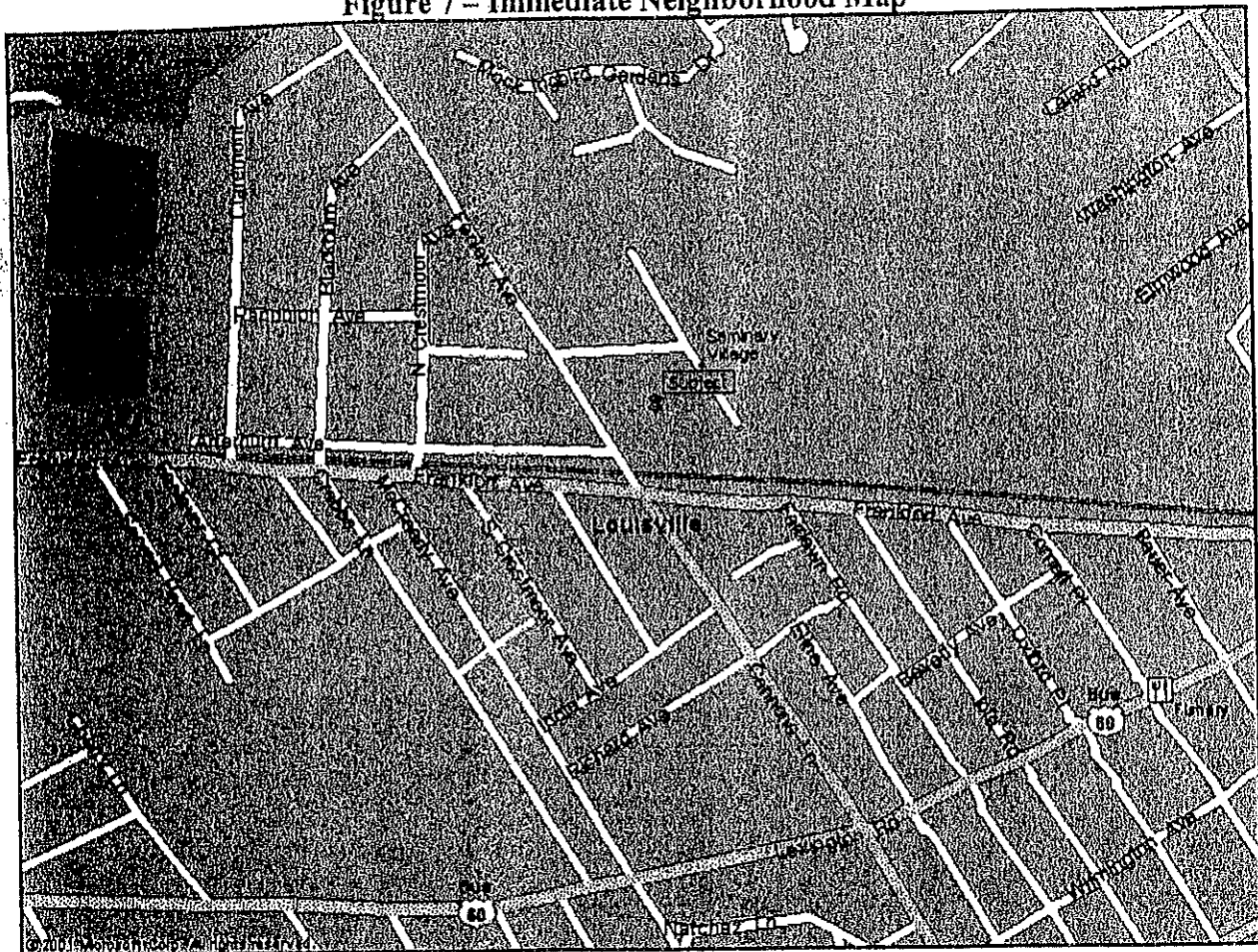
Approx. sq. ft. 985



Approx. sq. ft. 980

All floor plans are approximate and for planning purposes only.

Figure 7 - Immediate Neighborhood Map



The site is zoned R-7 Multi-family Residential. Surrounding land uses are zoned both residential and commercial. To the east of the subject is the Masonic Home Village Apartments, to the west are single-family homes, Mockingbird Gardens subdivision is to the north, and railroad tracks and Frankfort Avenue are to the south.



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